

The American Observer

A free, virtuous and enlightened people must know well the great principles and causes on which their happiness depends. — James Monroe

VOLUME VII, NUMBER 12

WASHINGTON, D. C.

NOVEMBER 22, 1937

Government Acts in Business Recessions

Roosevelt Adopts Conciliatory Tone in Message Opening Session of Congress

COOPERATION IS EXPECTED

Plea for Harmony Seen in New Deal Drive to Halt Business and Industrial Recessions

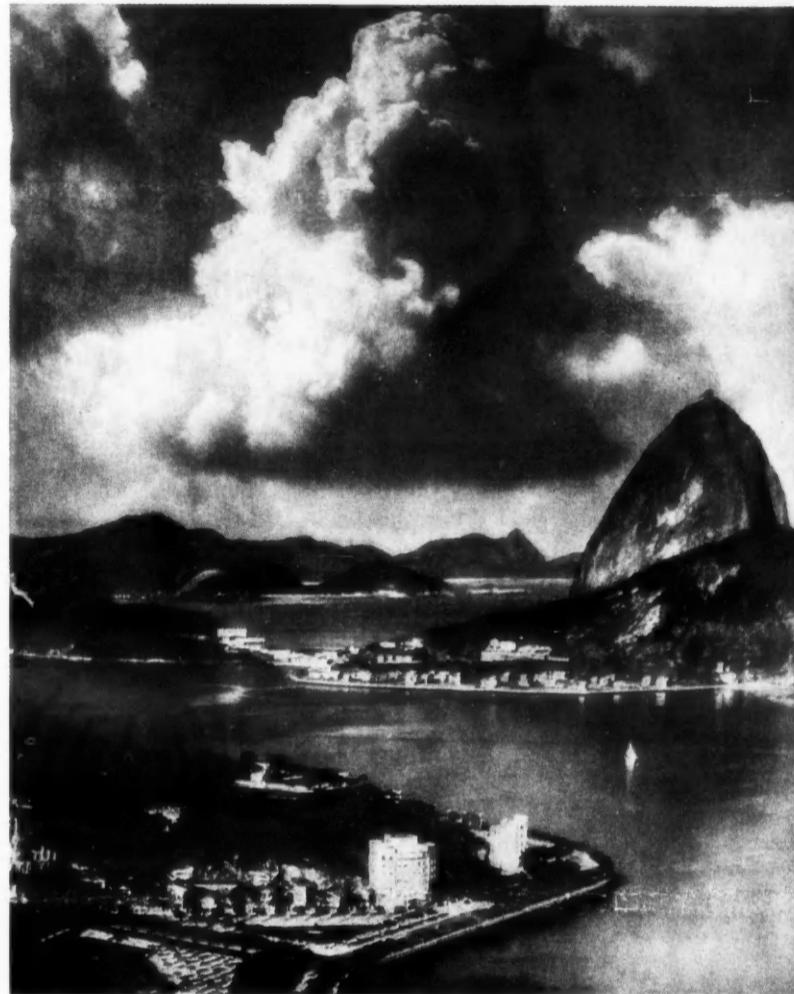
The Congress of the United States, which was called in special session, met on November 15 with every indication that the session was to be a stormy one. There was a marked change in conditions between the time the call went out and the time Congress assembled. This change brought up new issues and cast some of the old ones in a new light. The President called Congress together for the purpose of going ahead with his program. He wanted a new farm act which would make farm prices, and hence farm income, more secure. He wanted a labor act which would forbid very low wages in certain classes of industries. This was for the purpose of adding to the income of the poorest paid workers. He wanted a reorganization of the administrative branches of the federal government, and he wanted also to divide the country into regions like the Tennessee Valley Authority to provide for what he considered a better use of the natural resources.

Complaints of Business

Such was the President's program. It was in keeping with the policies he had been pursuing during the four and a half years of his administration. It was what may be termed a progressive or liberal program. It had the support of those who felt that the government should take definite and decisive action to give higher incomes to the poorest classes, thus bringing about a certain amount of redistribution of the total national income. This program was in the main endorsed by labor leaders and by those who represented the farmers, and in general the poorer classes. It was bitterly opposed by most leaders of the large industrial corporations and the majority of businessmen generally. Its supporters looked upon the program as paving the way toward a greater measure of social justice and toward a greater degree of industrial stability. The opponents looked upon the program as one of meddling with business, of putting barriers in the path of those who run the industries of the countries, and of checking the recovery movement.

The stage seemed set late in the summer for a contest along the lines of the fights which have been going on since President Roosevelt came into power—a contest between the conservative and the liberal, or progressive, elements. Then came a change in the national situation. This change was a recession in business. There was a serious stock market crash which alarmed many people. Then came evidence that production and employment were falling off and that the national income, instead of mounting as it had been doing for four years, was turning downward. When this situation became evident to all, there were renewed cries that the government was hurting business. It was said that the recession was caused by governmental acts. Specific charges were brought forward. It

(Concluded on page 8)



PAN AMERICAN AIRWAYS
"SUGAR LOAF" AND THE HARBOR OF RIO DE JANEIRO

Friendships Which Endure

The wise man judges his friends, not by their highest or lowest points but by their average levels of conduct. If one expects his associates to live up to their best moments every hour of every day, he will meet with disappointments every time he turns around. On the other hand, one who forsakes a comrade because of an occasional unworthy act will soon find that he hasn't a friend in the world. There are traces of nobility in all of us, yet each of us sinks at times to the petty and ignoble. That is true of you; it is true of your friends. Among the people whom you know, you will find no one who meets your reasonable expectations on every occasion. You will find a number who, by and large and in the long run, suit you very well. As they go along one day after another, you will find them honorable and likeable. They are naturally the ones to whom you will turn for companionship.

But someday one of these friends will slip. He will do something that you do not approve. He will descend to something foolish or unworthy; at least so it will seem to you. This will constitute a crisis in the relationship. If you are shortsighted, you may act as if this slip, this deviation from his usual course, represented his true character. You will cut him cold. That is what many people do. They are faulty in vision. They act as if the present moment were all eternity. If a friend disappoints them at this moment, they forget the long past; the days and years of true friendship and affection. They are unmindful of the future and of what it may mean to them and their friends. They do not like the immediate act, so they sever the ties of friendship.

The wise man and the true friend looks backward and forward. "I do not like what my friend has done," he says. "If he were at all times as he is today, I would not enjoy my association with him. But he has not always been like this. He had qualities that I liked yesterday and last year and the year before. He still has those qualities. He will have them tomorrow and next year and the year after that. No man's whole character and personality are revealed in a single act or in a single day. Each personality is very complex. If I am really to know my friend, I must see him as he is day after day and year after year. As I look at him in that way, I find him acceptable. His average performance is good. Hence I will stand by him. I will preserve the friendship, not because I endorse his every act, not because he is one hundred per cent worthy, but because, on the whole, I find him a suitable companion." By such reasonable judgments alone can we travel the highway of life, sustained along the way by friendships which endure.

Brazil Establishes Dictatorial Regime

Vargas Seizes Power and Sets up Government Modeled Along Lines of Fascism

WASHINGTON CONCERNED

Eventual Tie-up with European Dictatorships Would Raise Many Serious Problems

When Italy decided to join the German-Japanese anticomunist alliance, a short time ago, an Italian spokesman in Rome declared that the Fascist International would seek to add new members to its group, and to establish a worldwide bloc of cooperating fascist nations. He mentioned several European countries, such as Poland and Hungary, as being among likely recruits, and then went further and said that Brazil and other Latin American nations might be included.

At this announcement the United States took prompt, if silent, notice. The establishment of Italian- or German-influenced governments in Latin America would be considered a violation of the Monroe Doctrine, which could hardly be countenanced. For over a hundred years the one unvarying foreign policy of this country has been to oppose the extension of European control to any part of the Western Hemisphere outside of Canada (see page 6).

Coup in Brazil

It was only a few days after the confident boast of the Italian spokesman, that concern of the United States over fascist trends in Latin America became acute. For suddenly, although not unexpectedly, President Getulio Vargas of Brazil abolished that country's democratic form of government and set up a dictatorship. He dissolved the parliament, promulgated a new constitution, canceled the election which was to have chosen his successor in January, and, what was most important, declared that the new Brazilian government would be modeled along corporative lines vaguely similar to the fascist structures of Italy and Germany.

It seemed for a day or two that an event of truly world importance was taking place in South America. It seemed that the fascist march, which has been enjoying heady success in Europe, was threatening to romp through the nations of Latin America. Inasmuch as most of those countries are already semidictatorships under the veil of democratic forms, it was feared that the temptation of outright fascism was beginning to meet with response. If true, this would be a development of incalculable significance to the United States.

Apparently, however, the progress of outright and genuine fascism in Brazil was overestimated. Subsequent reports from Rio de Janeiro gave the impression that the action of President Vargas would result in nothing more than the establishment of dictatorship along well-known Latin American lines. While it was admitted that the chief purpose of the dictatorship was to fight what was held to be a growing communist movement in Brazil, it was denied that the new government would be fascist in character. And great vigor was used in denouncing reports that there was or would be any connection with Italy or Germany or with any European movement of any kind. Brazil's traditional friendship toward the United States was emphasized.

and a certain obedience was paid to democracy with the announcement that the new constitution would be submitted to a plebiscite, and that provision would be made for the popular choosing of a president. There seemed no doubt, however, that, election or no election, Vargas was determined to remain in power indefinitely.

Official censors standing at the elbows of foreign correspondents in Rio de Janeiro have made it impossible to learn exactly what the character of the new government will be. Reports are conflicting with regard to the projected establishment of a corporative state. The new constitution has been announced but not published. There is uncertainty as to how far in the direction of fascism Brazil intends to go.

At any rate, the American State Department does not appear to be alarmed, now that it has been reassured by President Vargas. It has officially taken the position that what Brazil does is her own business, and it is scrupulously adhering to its good-neighbor policy of nonintervention in Latin American affairs.

Foreign Activities

Nevertheless the United States will keep a close eye on Brazil during the months to come. The government knows well that Italy, Germany, and Japan have been working with great energy to promote economic



GETULIO VARGAS

and political ties with Brazil. Some time ago the State Department was anxious to negotiate the lease of six American warships—and American officers to go with them—to Brazil, presumably as a means of counteracting the growth of foreign, principally German, influence.

A few years ago Germany's trade with Brazil was negligible. Last year she ranked second to the United States which holds first place. By manipulating her currency Germany has been able to undersell American goods in Brazilian markets by wide margins. German automobiles are sold for from \$200 to \$300 less than American makes. German radio supplies are displacing the American. Altogether, it is said that German goods have been undercutting those produced in the United States by from 10 to 40 per cent.

Nazi Propaganda

Not content with seeking these commercial advantages, Germany is reported to be greatly interested in the political and cultural development of Brazil. There are nearly half a million Germans in Brazil, and they are playing an active part in the economic and political life of the nation. There are German colonies which maintain schools and churches for their own people. Radio broadcasts from Germany are heard regularly in Brazil on half a dozen wave lengths, and fascist ideas are freely dispensed for the reception of both Germans and Brazilians.

It is suspected, although denied, that Germany has done much to promote the growth of the Integralistas, the Brazilian fascist party, which has grown rapidly since its formation in 1932. It is said that some German firms force their employees to join this fascist movement with its

green shirts and Nazi slogans. And it is reported that arms for Brazilian fascists have been coming from Germany.

Hardly less than Germany, Italy has been active in building up a stake in Brazil. For over 50 years Italians have been immigrating to Brazil in large numbers, although Brazilian law has now stopped heavy immigration from abroad. There are a great many people of Italian origin in Brazil, and like the Germans, many of them live in Italian colonies.

Italian Propaganda

Italian trade with Brazil does not compare with the German, but Italy holds her own so far as fascist propaganda is concerned. Prominent Italian professors and scholars are sent to Brazil. They associate with Brazilian students and intellectuals and strongly endorse the fascist cause. On the other hand, the Italian government wholly or partly pays the expenses of groups of Brazilian students and professors on special visits to Italy. There the Brazilians are shown the workings of fascism, and are given the opportunity through well-planned broadcasts to radio their impressions back to Brazil. Germany is said to sponsor similar groups.

Not to be outdone, Japan, which has sent around 500,000 colonists to Brazil, and which has a concession of 2,500,000 acres in the Amazon region, has been making a strong bid for a place in Brazil's economic life. One out of every three bales of Brazilian cotton is produced by Japanese. Japanese ships ply steadily between Brazil and Japan bearing cotton, coffee, manganese, iron ore, scrap iron, and return with Japanese manufactured goods. Japanese radio and press propaganda is also carried on.

Brazil's Resources

Why should Germany, Italy, and Japan be so interested in Brazil? Examination shows that Brazil is a large and fertile territory with undeniable attractions to "have-not" powers. The following summary written by a correspondent of the *Christian Science Monitor* is illuminating in this respect:

Its (Brazil's) territory, one-twentieth of all the land surface in the world, is a vast continent in itself with all climates save the polar.

In this huge expanse of tropical and subtropical, high and low lands, is a sparse population of 42,000,000 scattered over miles and miles of rich and fertile soil which could easily support, house and feed a population, according to recent estimates, of more than 900,000,000 or 21 times more than the present total.

Brazil is one enormous mine of mineral and agricultural resources, capable far more than in the past of producing what people and machines need to feed themselves. Among these are iron ore, manganese, rubber, cotton, all vital in the building of armaments; frozen meats, hides and skins, wool, bran, beans, nuts, oranges, mamona, piassava, cotton seeds, Brazil nuts, babassu nuts, from which buttons and oils and a host of other by-products can be made; woods, cottonseed oil, and other products. This list was compiled from the actual exportations to Germany in 1935 and 1936 and represents wealth already under exploitation.

It is clear, therefore, that if Brazil could be brought within the fascist orbit, Germany, Italy, and Japan would be greatly strengthened. Already they have made large inroads in Brazil, but they might do better if the Brazilian government could be made safe for fascism.

When it was announced that President Vargas had set up a dictatorship, the news was received with enthusiasm in Berlin, Rome, and Tokyo. Italian newspapers hailed the development as "another country going fascist," and the German press observed with satisfaction that the first corporate state in South America was being established. Immediate overtures were made to Brazil in an effort to have her join



BRAZIL IS LARGER THAN THE UNITED STATES, HAS A POPULATION OF 42,000,000, AND POSSESSES ENORMOUS MINERAL AND AGRICULTURAL RESOURCES

the new growing alliance of fascist powers.

However, Getúlio Vargas is a shrewd gentleman who has dominated Brazil for the last seven years. It is hardly likely that he would be willing to hand Brazil over to the interests of foreign nations. He is mindful of the economic and political power of the United States, Brazil's greatest coffee market, and it would not be to his advantage to turn this country against Brazil.

It should be noted that Vargas seized power without the help of the regular fascist party in Brazil. He has not been unfriendly to the Integralistas but has not solicited their support, or made any political ties with them. It is indeed possible that his seizure of power may result in diminishing the opportunities which the fascist nations have been so energetically cultivating in Brazil. With control firmly in his hands, he may act to prevent foreign movements from becoming too influential. This, at least, is a supposition which may be entertained.

Effect on Other Nations

But while the Vargas dictatorship may not be dangerous from the viewpoint of bringing fascism to Brazil, it is nevertheless a step away from democracy and to this extent it is frowned upon by the United States. When President Roosevelt and Secretary Hull visited South America last year, they purposely laid great stress on the necessity for preserving democracy in the Western Hemisphere. They sought to counteract the trend toward dictatorship in Latin America, and to encourage the governments to remain faithful to democracy.



NO MATTER WHAT HE CALLS IT, THERE SHE IS
KIRBY IN N. Y. WORLD-TELEGRAM

It appears now that their efforts are not meeting with success. The nations of Latin America offer insecure foundations for democracy. The land is for the most part divided into large estates, and many of these are operated on a semi-feudal basis. On one side there are comparatively few powerful land-owning families, and on the other are the workers, many of whom are illiterate. There is no large middle class.

Until a few years ago these agricultural barons were dominant in Latin America. Now they have been joined by large industrialists who have gained power with the growth of industrialism since the war. Together, these groups are not sympathetic toward democracy. They fear any trend which places greater political power in the hands of the working classes, and their greatest fear is communism. They look with dread at the socialist experiments of Mexico, and they naturally back dictatorships which suppress radical and communistic movements.

When this is known it is no longer surprising that of all the nations in South America only Colombia may be said to have a genuine democratic government responsive to the will of the people. All the others are under dictatorships or at least under semidictatorships.

Seven of these nations—Brazil, Uruguay, Paraguay, Argentina, Bolivia, Peru, and Venezuela—have governments which lean strongly toward the Right. Fascist ideas are widely circulated, and the governments methodically give battle to all Left-wing movements. They have, moreover, an agreement among themselves not to harbor one another's political refugees.

Two nations, Chile and Ecuador, which have large mining populations, lean Leftward rather than toward the Right. There are strong radical—some say communistic—parties in both these nations, but actually there seems no prospect of their becoming communist. The army is well in control in Ecuador, and President Alessandri of Chile has skillfully dominated his government composed of a coalition of Left parties.

The Vargas dictatorship has created a great stir in other South American capitals. It is believed that his action may serve as an example to other would-be dictators in Latin America, and that the general trend away from democracy and toward something approaching fascism may be accelerated. If this happens, the United States may yet find real cause for alarm.

AROUND THE WORLD

Brussels: Once again advancing the argument that the war in China is purely a measure of self-defense, beyond the scope of the Nine Power Treaty, Japan has for a second time rejected an invitation to take part in the Brussels conference.

Faced with this second rebuff which was couched, moreover, in such positive language as to make still another invitation impossible, the delegates drafted a statement declaring that Japan's action in China was illegal. The statement was described by the usually restrained correspondent of the *New York Times* as "an almost innocuous document."

Nevertheless, the Chinese delegate, Dr. Wellington Koo, argued that since Japan's action was admitted to be "illegal," the powers supporting that view should logically proceed to supply China with arms, while at the same time enforcing a boycott against Japan.

At the time of writing, no definite action had been taken on Dr. Koo's proposal. Nor did it seem likely that any would be taken. France and Great Britain were disposed to let the American delegation take the initiative in approving such a plan. The American delegation, it appears,

inet with the aid of the Conservative party, which he did. His friends could not forgive his joining with the Conservatives and ever since have regarded his doing so as a "betrayal" of their cause.

* * *

Canada: Premier Maurice Duplessis of Quebec has made use, for the first time since it was passed last March, of a law empowering him in his capacity of attorney-general of the province to suppress all sources of Communist propaganda. Declaring that this was "the beginning of our activities," the premier a few days ago ordered a raid upon a radical newspaper in Montreal, a printing shop, and several bookstores. The newspaper plant was padlocked, and the book stocks were confiscated.

The facts, it is pointed out, do not support the premier's contention that this was a beginning of his activities. Since August 1936, when he defeated a liberal government in power for 38 years, scarcely a month has passed that the premier has not struck out at what he regarded as radical influence in Quebec. Motion pictures from Russia were barred as "subversive propaganda." May Day parades, permitted even in Nazi Germany, were banned. CIO unions were refused recognition as collective bargaining agencies. And the "closed shop," which organized labor looks upon as one of its most effective weapons, was banned by the provincial legislature.

Liberals in Quebec are thus inclined to view the premier's latest step with alarm. The premier, it is said, if he seriously plans to enforce the "anticommunist" legislation, can at will suppress all opposition to his government. The measure gives him the power "to brand anyone he does not like as a Communist" and thus places the rights of free speech and a free press entirely at his disposal.

In noting that their alarm is justified, liberals in the province say that the danger of Communism is altogether remote. Of



PUBLISHERS PHOTO SERVICE

had the most prominent woman in Soviet industry come to the United States to study production methods.

Moscow's admiration of American fashions has now extended to the amusement field. Though the Russian legitimate stage and the silent film have always been excellent, the former in particular being accorded an unrivaled place by discerning critics, its talking picture productions have, with a few notable exceptions, been amateurish. With this realization, Russian film producers have been making intensive studies of the industry in Hollywood. They have placed special emphasis upon animated cartoons. Four years ago, only one animated movie was released every two years, and that of questionable quality. With the aid of an American expert, they are now producing 15 such films every year.

The children in Russia take no less delight in these animated cartoons than do youngsters in the United States. One Moscow theater, exhibiting "The Three Little Pigs," has had capacity audiences every day for two years. Mickey Mouse is the children's favorite character.

* * *

China: With the capture of Shanghai, the imminent collapse of Chinese resistance in North China, and the probable failure of the Brussels conference, the Japanese authorities are now said to be making informal overtures to the Nanking government for an early armistice.

Tokyo, it is reported, is willing to end the war if the Chinese government agrees to the following conditions:

Recognition of Manchoukuo.

The creation of semi-independent states in North China, along the lines of the Man-

choukuo regime, under Japanese guidance.

Japanese supervision of Chinese customs revenue, chief source of the Chinese government's income.

Dissolution of the Chinese armies and the military aviation corps.

Cooperation with Japan in fighting Communism.

China's adherence to the anticommunist pact recently signed by Italy, Japan, and Germany.

In exchange for these concessions, Chiang Kai-shek, now head of the Nanking government, will become president of the Chinese republic.

The terms are very severe. They would, if accepted, make China as much of a puppet in Tokyo's hands as Manchoukuo is now admitted to be. But China's refusal to accept these conditions would only prolong the war, with increased hardships for the millions of Chinese. Despite the valiant defense of the Chinese forces, they have proved no match for Japan's incomparably superior equipment.

It is reported that the steady advance of the Japanese army toward Nanking has made Chinese officials consider these peace overtures, but not the slightest intimation has been given as to whether they will be favorably received.

* * *

The British government, supplying still another instance of what is termed "Tory socialism," has decided to take over control of all coal mines in the country. Under the plan, a commission will pay the owners of the coal "royalties" a lump sum for their interests and will then operate the mines itself. It is hoped in this way both to revive the mining industry and to remove certain labor practices which have been widely condemned.

The American Observer

A Weekly Review of Social Thought and Action

Published weekly throughout the year (except two issues in December and the last two issues in August) by the CIVIC EDUCATION SERVICE, 744 Jackson Place, Washington, D. C.

Subscription price, single copy, \$2 a calendar year. In clubs of five or more for class use, \$1 a school year or 50 cents a semester. For a term shorter than a semester the price is 3 cents a week.

Entered as second-class matter Sept. 15, 1931, at the Post Office at Washington, D. C., under the Act of March 3, 1879.

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THE EUROPEAN PUZZLE
RUSSELL IN LOS ANGELES TIMES

had instructions to let others take the initiative. England, whose interests in the Far East are even greater than those of the United States, appeared to despair of the Brussels proceedings and once again turned her attention to arriving at an understanding with Rome and Berlin. It was to that end that Viscount Halifax, high in the confidence of Prime Minister Chamberlain, was sent to engage in lengthy conversations with Chancellor Hitler.

What now? Unless all informed comment is awry, the Brussels conference, to save face, will appoint a subcommittee to study the Far Eastern question and then adjourn "until such time as circumstances will prove favorable to another meeting." With that statement agreed upon, the delegates will probably scuttle home.

* * *

England: J. Ramsay MacDonald, perhaps the most noted British politician since the World War, has died at the age of 71. During his life, he rose from obscure birth and poverty to become prime minister three times. It was in 1924 that as head of the victorious Labor party, he was asked by King George V to form the first socialist government in English history. Although he remained in office only a short time, he led his followers to a second victory in 1929.

Two years later occurred the most critical period of his career. England was in the midst of an economic crisis. MacDonald could not agree with his colleagues on relief policy and so he resigned. He was asked by the king to form a coalition cab-



THREE MEN ON A HORSE
TALBERT IN WASHINGTON NEWS

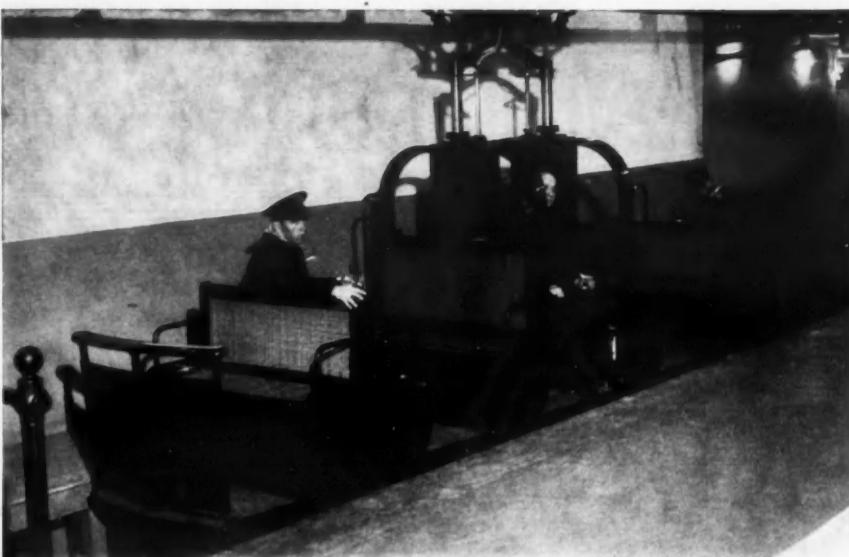
a total population of nearly 3,000,000 in Quebec, only 1,500 are avowed Communists. The liberals claim that so small a proportion hardly justifies such rigid measures as have been taken by Mr. Duplessis, and they therefore accuse him of moving in the direction of fascism.

* * *

Russia: As much as they dislike capitalism, Soviet leaders have an unfeigned admiration for the way things are done in the United States. When embarking some years ago upon an ambitious scheme to modernize agriculture, they brought over a large number of American engineers to design tractor plants. When, more recently, they decided it was time to encourage the use of cosmetics and other fineries, they



JAPANESE SAMSON
HOBAN IN WILMINGTON (DELA.) MORNING NEWS



BUSINESS AS USUAL
With the opening of Congress the little subway car which runs between the Capitol and the Senate Office Building resumed its little-known activities.

HARRIS AND EWING

Merchant Marine

A few days ago the Maritime Commission, whose work was described in last week's issue of *THE AMERICAN OBSERVER*, issued an exhaustive report on conditions within the nation's merchant marine. The Commission painted a gloomy picture of the situation, but one which was not unexpected. American shipping has been in poor circumstances since the World War; as Chairman Joseph P. Kennedy said, "The American Merchant Marine is a very sick industry."

First of all, the Commission found, new ships must be built. Private companies will need governmental help to build them, both in subsidies, or outright grants, and in loans at low interest rates. The Commission intimated that the government might even have to do the actual building itself. Once the ships are built, the private companies will need more government subsidies to operate them in the face of foreign competition. The report recommended that the present subsidies, which amount to 10 million dollars, should be increased to 25 or 30 million dollars. Another difficult problem in the shipping industry is the labor situation, said the Commission. To solve this problem it suggested that a mediation board, similar to that provided by the Railway Labor Act, be created "as a solution of present chaotic conditions in the ranks of maritime labor."

The report emphasized the need of an American merchant marine. The Commission does not think it is satisfactory to have our exports and imports carried almost entirely by foreign ships. Also, a merchant marine which can be transformed into a utility navy in time of war is worth some governmental expenditure, according to the Commission.

New Congressmen

Four members of the House of Representatives had their first experience as national legislators last week. Three of them, Bruce Barton, Ralph A. Gamble, and Lewis K. Rockefeller, came from New York. All are Republicans, and all were elected to fill unexpired terms of deceased congressmen. The Republicans gained one representative, since Mr. Barton succeeded a Democrat from the 17th congressional district. The fourth newly elected representative is David E. Saterfield, a Democrat from Virginia. He succeeded another Democrat.

Mr. Barton, because of his writings, is perhaps the best known of the four men. His entrance into the political field is regarded by some Republicans as encouraging for the party; already they are mentioning him for higher political offices.

Purchasing Power

The national income of the American people is an accurate estimate of the purchasing power they possess. It is a total of all the wages, salaries, rents, interest, and dividends paid out during the year. This money, in turn, is spent for food, clothing, shelter, other necessities and luxuries.

This year, according to government experts,

the national income will amount to 69 billion dollars, the highest total since 1930. The largest national income was registered in 1929, when the American people had 78 billion dollars to spend. But this year's income will pay as much rent, buy as many radios and automobiles, purchase as much meat and bread, as the 1929 income, since prices are lower now than they were in 1929. The nation's "family" is larger by several million than it was in 1929, however, so the national income must be stretched to cover the needs of more people.



LABOR TROUBLES FORGOTTEN

As representatives of labor and industry met in Washington to discuss social security problems looking toward possible changes in the Social Security Act. Left to right: Gerard Swope, president of General Electric Company; Philip Murray, C.I.O. leader; and E.R. Stettinius, new head of U.S. Steel Corporation.

Each individual cannot expect to have quite as much as he had in 1929.

President Roosevelt has frequently said that he hopes to see the national income increase until it reaches 100 billion annually. The recent decline in business activity has cut down this year's income, and the government calculators are predicting that the 1938 total will be slightly less than this year's.

Cash for Farmers

The 32 million people who live on farms in the United States will have 14 per cent more money to spend this year than they had in 1936, according to Department of Agriculture figures. That means that they will have more than 10 billion dollars in cash. If evenly distributed, each farm family would have about \$130 more. How will this money be used? The family's food budget will be increased first of all, says the Department. An automobile is next on the list, and the added \$130 may make the difference between a new car and a second-hand one. Farm machinery companies are expecting to get a sizable portion of the increased income; power companies and manufacturers of electric appliances are hoping that some of the money will be used to bring electricity to more farms. Clothing, medical care, education for the children, furniture, and house repair have all shared in former increases. With the 1938 farm prospect not so bright, savings accounts may get some of the extra cash which farmers expect to receive.

Potatoes for Pigs

Potato farmers grew approximately 47 million bushels of potatoes more this year than

they harvested in 1936. As a result, the 1937 total is 25 million bushels over the normal average, and there are more potatoes being placed on the market than can be sold. The AAA has stepped in to prevent this surplus of potatoes from driving the price so low that potato farmers will lose money. It plans to pay farmers one and one-half million dollars for potatoes, at 15 cents a bushel, then permit the farmers to feed the potatoes to their livestock. In this way, the AAA will remove 10 million bushels of potatoes from the market.

By "diverting" these 10 million bushels to livestock feeding, the AAA hopes to help another critical farm situation. Livestock producers say that the present high price of meat is caused largely by a shortage of feed. The plan for potato payments has not been worked out definitely, but farmers in the western and north-central regions will be eligible.

Another Truce

Whenever the conference between the C.I.O. and the A.F. of L. strikes a snag, the members adjourn for a few days to thresh out their problems within the two committees before they go ahead with their discussion. Last week, for the third time since the original meeting on October 25, the conference recessed, meeting again November 17. The committees are still trying to agree on which unions should be organized as John L. Lewis desires, and which should follow the pattern preferred by William Green of the A.F. of L. The prospect for eventual peace between the two organizations, always uncertain, was even more precarious after the latest negotiations. Each organization is frankly suspicious of the other; each fears that the other is planning to effect a peace arrangement which will give it the upper hand.

Aid for the Jobless

Unemployment insurance will get its first major trial next year, and if unemployment continues to increase, as is being predicted, the test will be a serious one. For two years the states have been piling up an unemployment insurance reserve fund, which now amounts to almost half a billion dollars. The fund came from taxes of two per cent on pay rolls of companies which employ more than eight persons. On January 1, 21 states will start making payments from this fund to workers laid off by the companies. Wisconsin has been making payments since August; by the middle of 1939, all 48 states will have unemployment insurance systems in operation.

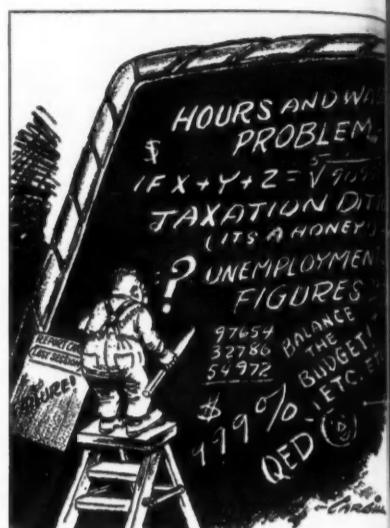
Whenever a person is discharged by one of the companies which has been contributing to the fund, he applies to the state employment office. He is registered, and the



DAY IN A SENATOR'S LIFE
Because members of Congress seem inactive on the Senate and House floors, it is often believed that they have easy jobs. The heavy work is done outside, however, in the office or in committee. Here is Senator Morris L. Sheppard of Texas preparing for the opening of the special session.

The Week in

What the American People



PAGE EINSTEIN
CARGILL © CARTOON

office helps him look for a new job. If he does not find work within a certain period, which varies from two weeks to a month according to the state, he receives weekly checks from the fund. The checks also vary in size according to the state; they usually amount to half the worker's previous weekly wage, never more than \$15 a week. The checks keep coming for 12 to 25 weeks, depending again on the state. After that, the unemploy-



RAILROADS TO ASK FOR NEW RATE INCREASE
HERBLOCK FOR NEA SERVICE

person must rely on government relief or welfare agencies.

The present unemployment insurance systems are far from adequate, social security officials say, but they are experimenting to furnish information if a national system is ever installed, or if the states wish to revise their systems later.

FDR and the Utilities

The New Deal has waged war on the electric utility companies since President Roosevelt first took office. It has made loans to communities to build municipal power plants; it has constructed huge dams which are being used to generate power which the government sells in competition with private industry; it has brought about a close examination and reorganization of the utilities through the Holding Company Act of 1935.

A few days ago President Roosevelt showed the first signs of changing his attitude toward the utilities. He has always said that electric rates are too high; now he seems willing to cooperate with the private utilities if they will adopt a plan to reduce their rates. The utilities have been setting their rates according to the amount of money it would take to reproduce their plants and equipment. The President would have them set their rates according to the amount of money which had been "prudently" invested. Such a change would lower rates considerably.

The United States

Doing, Saying, and Thinking



A MESSAGE FROM THE ELEPHANT'S GRAVE
CARLILE IN PORTLAND (MAINE) PRESS-HERALD

The President is eager to make peace with the utilities because he wants them to carry on an extensive building program. The utilities are far behind in construction. They have been afraid to invest money when they did not know what the government would do next to restrict them. If they can come to terms with the administration, the utilities say they will spend three and one-half billion dollars within the next year. Thousands of men



would be put to work by such a building program.

The Forty-Ninth State?

Requests that the Hawaiian Islands be admitted as the forty-ninth state of the Union have been frequently made during the last few years. Only last summer 19 members of Congress made a trip to the islands to study these demands. The present session of Congress will hear their views on the question of granting statehood to the islands.

At present, the Hawaiian Islands enjoy the status of a territory of the United States, similar to Alaska. The residents are not satisfied with this condition, feeling that their interests are not adequately protected. They have only one delegate in Congress, and he does not have a vote. The principal objection to their request for statehood is that they are located 2,000 miles from the mainland and that more than a third of the population of 400,000 is of Japanese extraction. The Hawaiians, on the other hand, point out that their eight islands are larger than the states of Connecticut, Delaware, and Rhode Island, and that they pay more in taxes to the federal government than does any one of 16 states.

"Unemployed" Housewives

One of the biggest industries in the United States is that of managing the nation's homes, according to the Department of Labor. Al-

though the 24 million housewives are ordinarily considered by census takers as "unemployed," the product of their work, if measured in dollars, would total more than railroading or banking. Since housewives do not compete for wages as do other workers, their value can be measured best by the amount they save. It is estimated that if outside agencies were called in to do the work of the average housewife, the monthly bill would be as large as the average husband's check. By comparison with the wages paid to housekeepers, the Department estimates that the value of the housewife's labor averages from \$5 to \$20 a week, depending on the size of the family and its standard of living.

Preparing meals takes about one-fourth of the housewives' time. Caring for small children, cleaning, laundering, and the other everyday tasks keep the housewife busy about 50 hours a week.

Safety Record

The 40,000 school children who make up the Junior Safety Council in Kansas City are given much credit for the record which Kansas City has established of not having a child killed in traffic accidents in 13 months. Members of the Junior Safety Council are taught to obey traffic laws and to take no chances. Council members serve as traffic patrolmen to help their schoolmates across the streets in the morning, at noon, and in the evening. Kansas City officials are very proud of the Council. They believe that the lessons which are being taught now will carry over in later years when the Council members are driving automobiles.

Another factor in making the streets of Kansas City safe is the heavy penalty which is given to careless drivers. Any driver who endangers school children is fined \$100 and must serve 15 days in jail.

Inventors' Dreams

Of the thousands of patents which the United States Patent Office grants every year, only a few ever become commonly used. But inventors continue to work out new gadgets, in the hope that they will be made practical. Frequently the "wildest" of the inventors' dreams become the most useful.

Among the 787 patents which were granted in one week was a portable stop sign for pedestrians to carry. Another inventor patented a clock with an alarm which crows like a rooster. A self-inflating life belt contains sodium bicarbonate and sulphuric acid; when the former is crushed, the acid attacks it and the resulting gas blows up the life belt. An oil can with a rubber spout is supposed to prevent clogging. A portable pole step for linemen does away with the necessity of climbing boots.



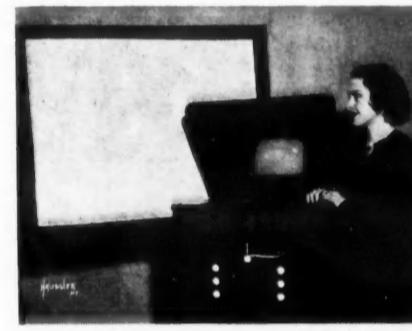
The Hawaiian Islands are noted for their beautiful coco palm trees—Hawaiian lads use them as ladders to the sky. The islands are anxious to become the 49th state in the Union. They complain that their present status as a territory does not give them sufficient self-government and representation.



THE FAMOUS INLAID SIDEWALKS OF RIO DE JANEIRO
(From a photograph in "South by Thunderbird.")

NEW Books

TRAVELERS to South America no longer must spend many days on slow journeys along the coast in ships or be forced to proceed overland through regions where modern highways have yet to be built. Formerly, any journey through the Latin American countries took weeks or months. Even today there are



THE MARCH OF TELEVISION
Until now television pictures were flashed only on a small screen built into the radio receiver as shown above. Today pictures can be reproduced on a separate screen 3 x 4 feet in size. The entertainment value is correspondingly increased.

regions in the interior of the continent which are all but inaccessible to anyone who confines himself to land conveyances; he can reach his destination ultimately, but slowly. However, the modern traveler, anxious to make speed, is taking to the air. South America is crisscrossed with flying routes, and giant airships follow regular schedules.

It was on one of these planes that Hudson Strode rode as he gathered information for his book, "South by Thunderbird" (New York: Random House, \$3). He chose this title because "when the Indians of today stood amazed to see and hear great aerial ships roaring over their waters and jungles and mountains, they called them 'thunderbirds.' " The story which he tells is a bird's-eye view of the South—its people, its occupations and industries, and its geography. His intention has been not to go deeply into political and economic problems, nor to promote any single line of cooperation in foreign affairs between the United States and the nations to the south. Rather, he has tried to capture the flavor of Latin America, as he calls it, and to record the glamour which he found. And his success in these efforts is admirable. With modern air travel and a knack for recording the highlights of his trip, he has produced a book that is enjoyable to read.

* * *

IN 1836 great bands of Boer farmers, becoming angry with the Englishmen in Cape Colony, left South Africa and began the Great Trek across the continent to seek new farm lands in the Transvaal. Of Dutch extraction, the Boers in a sense had a pioneer spirit that was akin to the feeling of the early Americans who constantly pushed westward to our prairie country. Perhaps the chief difference between them and the American

pioneers can be explained by recalling the well-known differences between Africa and America. Africa—with her jungles, savage tribes, wild beasts, and tropic climate—was much wilder and less civilized than Western America in 1836.

This fact is unmistakable in Stuart Cloete's novel, "The Turning Wheels" (Boston: Houghton Mifflin Company, \$2.50). It is the story of one caravan in the Great Trek. Led by domineering Hendrik van der Berg, this band of stubborn Boer farmers fights its way to a "promised land," where Hendrik thinks they can return to farming and rear their children. Their ways are not civilized, for even though they are Dutch, Africa has stamped her wilderness into them, and they live by the rule that the strongest shall survive. The story of their adventures revolves around the life of Sannie van Reenen, a beautiful girl in the company, but Tante Anna de Jong, a much older woman, often takes the center of interest with her lively wit and sensible philosophy. Tante Anna helps the story immeasurably, too, because she bridges the gap between the conventions of civilization which they have left behind and the near-animal existence which they now lead. One finds his interest held throughout because there is never a moment without action—a continuation of events which shows an excellent picture of men living without the formalities of civilized ways.

* * *

FOR the person who likes to have a small volume of light verse between his bookends, where it will be handy when he tires of reading long novels, Helen Welshimer's "Singing Drums" (New York: E. P. Dutton and Company, \$1.50) is an excellent collection of short poems. Miss Welshimer writes in a manner that does not provoke deep thought, but rather stirs in the reader a reminiscent mood—one which arises because he sees in the poems some scattered experiences which are similar to occasions in his own past.

All of the poems have appeared previously in various periodicals for which Miss Welshimer writes, and she has selected them as the best-liked among her works. Dealing lightly with many matters, and seriously with a few, they reflect a human feeling and a warm reality. They are pleasant to read during brief moments when one wants something that is not too serious, yet true to life.

* * *

WE HEAR so much about foreign governments doing things which we dislike, that often our sympathies are turned against the people living under those governments. We are inclined to forget that the average person is a likeable individual who is usually not responsible for the policies of his government.

Here, then, is a good book to read at this particular time. It is the story of an American girl who goes to visit her brother in Japan, and who comes into contact with the Japanese people themselves and learns about their ways of living. You will enjoy the story, and you will learn to understand the Japanese better. The book is "Under the Japanese Moon," by Phyllis Ayer Sowers (Boston: L. C. Page and Company, \$1.75). —J. H. A.

Securities Exchange Commission Works to Safeguard Investors

MOST of us find it extremely difficult to understand the devices of high financing — reorganization, refinancing, interlocking directorates, holding companies, transfers of preferred stocks and common stocks. Many corporations and investment companies have taken advantage of the public's ignorance to make a great deal of money. During the "boom" years, financiers did tricks with investors' money which piled up huge fortunes for a few, but left the small stockholders dazed and wondering. Then the stock market crash of 1929 brought to light many of the schemes which the capitalists used to increase their profits at the expense of the small investors.

Work of SEC

To prevent such dishonest practices, Congress created the Securities and Exchange Commission in 1934. The Commission is a five-man board; the President and the Senate appoint the members, who serve for five years each. The SEC has a staff of directors, examiners, analysts, research workers, attorneys, financial experts, and clerks who carry on the routine work of the Commission, and are divided into various divisions. The Registration of Securities division handles all the details which must accompany new securities. The Security Trading division supervises the stock exchanges. The Public Utilities division pays special attention to utility stocks and trading. The legal staff of the SEC works in the Rules and Interpretations division and the Enforcement division. All the information which is gathered is put into form and distributed by the Public Information division. The Statistical and Economic Research division gathers needed information for the Commissioners, while the Reports and Studies division handles special investigations.

The SEC has had three chairmen since 1934. The first man to hold that position was Joseph P. Kennedy, a former Wall Street broker who is now chairman of the Maritime Commission. Mr. Kennedy took the office only long enough to organize the SEC and start it on its way. Then he was succeeded by James M. Landis, a former Harvard law professor. Mr. Landis resigned recently to return to Harvard, and the chairmanship passed to William O. Douglas of Connecticut, who has been a member of the SEC for some time. The vacancy on the Commission left by Mr. Landis' resignation has not been filled. The members, besides Chairman Douglas, are Robert E. Healy of Vermont, George C. Mathews of Wisconsin, and James D. Ross of Washington. It is expected that Mr. Ross will resign in the near future, as he has accepted a post as director of the power project at Bonneville Dam, so two new men may join the SEC this winter.

The Commission enforces three laws, the first of which is the Securities Act of 1933. The Federal Trade Commission first had charge of this Act, but it naturally fell within the province of the SEC when the latter was created. Under it, all corporations which wish to issue securities or shares of stock must register those securities with the SEC. To do that, they must tell the truth about themselves. They must explain the state of their finances, tell why they wish to issue the stock and what they will do with the money which they receive from selling it. In this way, persons who are thinking of investing their money in those stocks can go to the SEC and find out about the company first.

The SEC has little real power in the way of forcing a corporation to alter its finances. But it can, by requesting more information and delaying to register the securities, call attention to the weak spots in the company's structure. It can also hold its own investigation, if the information supplied by the company is not sufficient. Finally, if the Commissioners feel that the stocks are not good investments, they can refuse to register them, and thus keep them off the market. The SEC does not recommend stocks to investors; it

merely furnishes information on companies in which persons with money are planning to invest.

Protecting Investors

The second of the laws which the SEC enforces extends this function of providing investors with information which is easily accessible. All securities which are listed on the 21 stock exchanges in the nation must be registered with the SEC, so all the information which is necessary on new stock issues must be supplied to the Commission on old stocks, as well. Furthermore, the officers, directors, and principal stockholders of all companies must keep the SEC informed as to transfers of stocks, and this information is passed on to the public. Another phase of the SEC's work is that of regulating the stock exchanges themselves. It is empowered to lay down rules which will keep powerful speculators from pushing prices up or forcing them down, just to make a profit. As yet, the SEC has not done much in this field. It is an exceedingly complicated business, and the SEC is proceeding slowly, compiling data on which future regulations will be made. In cooperation with the Federal Reserve System, the SEC also regulates the amount of credit which can be used in trading securities. We have seen how the SEC operates in this way only recently, when the Federal Reserve Board reduced the amount of cash required to buy stock on the stock exchange from 55 per cent to 40 per cent, thus making it easier for investors to use credit.

Public Utilities

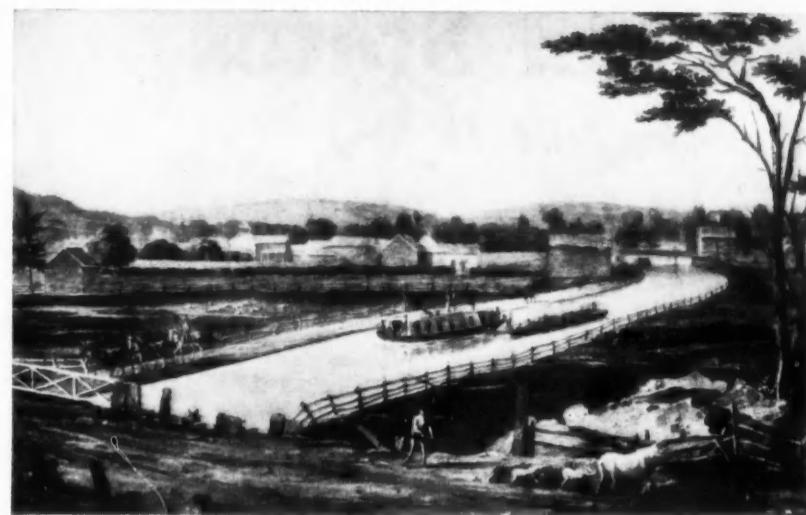
In 1935 Congress passed the Public Utility Holding Company Act; the SEC and the Federal Power Commission took over its enforcement. The Act was aimed at the holding company systems which control gas and electric utilities. Chairman Landis described them as follows:

These gigantic systems cover the country and own power plants, dams, transmission lines, local operating companies, scattered from Maine to California. In many systems, dozens and even hundreds of local companies, through layers of holding corporations, are dominated by a small group of men in the top or parent holding company. An unbroken thread of control is maintained by stock ownership, interlocking directorates, and the many other means the lawyers have been able to devise to enable one company to guide the destinies of another. Into these great national systems you as a nation have poured some twenty billions of dollars.

The SEC registers all these holding companies, just as it registers stocks and securities of other corporations. For the first time, the public can know how the electric light plants are controlled, who handles the money which is invested in them. These great holding companies cannot buy or sell stocks without getting the approval of the SEC. If the Commissioners believe that the company's proposed transactions would not benefit the public or the investors, it may withhold its approval, and the holding companies cannot act.



WILLIAM O. DOUGLAS—NEW CHAIRMAN OF THE SECURITIES AND EXCHANGE COMMISSION



WHEN THE UNITED STATES WAS GROWING UP TO BECOME A WORLD POWER
A view of the Erie Canal around 1830, seven years after President Monroe enunciated his famous doctrine. (From a water color drawing by J. W. Hill in the Stokes Collection, N. Y. Public Library.)

Historical Backgrounds

By David S. Muzzey and Paul D. Miller

Brazil and the Monroe Doctrine

THE establishment of a dictatorial form of government in Brazil, reputed to be somewhat fascist in character, may raise grave problems for officials in Washington. The American government has, perhaps, an indirect interest in the type of governments which are established in European and Asiatic nations, but it has a direct and vital concern with the type of government which exists in nations of the Western Hemisphere. Especially is this true if, as has been alleged, the present government of Brazil is really fascist and if it should eventually line up with such authoritarian nations as Germany, Italy, and Japan.

For more than a hundred years, the United States government has adhered to a policy with respect to the other nations of the Western Hemisphere which sets them apart from other governments. When our fourth president, in a message to Congress December 2, 1823, enunciated what has come to be known as the Monroe Doctrine, he laid one of the fundamental bases of American foreign policy. Throughout the years, the Monroe Doctrine has undergone modifications, has been variously interpreted by different presidents and secretaries of state, has been used as an excuse for all sorts of acts on the part of our government, and finally has been one of the principal sources of friction between this country and her sister republics in this hemisphere. But the principles of the famous Doctrine have never been abandoned, and once again they have come prominently to the fore in connection with the latest developments in Brazil.

Purposes of Policy

The original provisions of the Monroe Doctrine are extremely simple. President Monroe had two principal purposes in enunciating this policy. In the first place, he served warning upon the European nations that the United States would tolerate no further colonization in this hemisphere, and secondly, that it would not permit those nations to control in any manner the governments of the American countries or extend their political systems to any nations in the Western Hemisphere. If, therefore, it should turn out that the government of Brazil, or of any other Latin American nation, is influenced or controlled by foreign fascist powers, that fact would constitute a clear violation of one of the basic principles of the Monroe Doctrine.

To a certain extent, conditions existing in the world at the time of the enunciation of the Monroe Doctrine were similar to those which prevail today. Following the Napoleonic wars, the European powers were seeking to reestablish the old order and to extend their political system to this continent. The major powers of Europe

were apparently determined to help the king of Spain recover his colonies in the Western Hemisphere which had rebelled and established their independence. Thus, the American President served warning that any attempt to establish their political system in the Western Hemisphere would be "viewed as the manifestation of an unfriendly disposition toward the United States."

Modifications

The Monroe Doctrine has been used to cover a multitude of sins. Practically every policy the United States has adopted toward the Latin American countries has been justified by the famous Doctrine. At first, it was used to prevent the transfer of colonies in this hemisphere from one European power to another. Later it was brought out as an excuse for the acquisition of new territory—Texas and California—by the United States government. With all the interpretations and corollaries that were added to it, the Monroe Doctrine assumed a form that would hardly have been recognized by its originator.

President Hayes said that no European nation had the right to build a canal across the isthmus, in spite of the fact that we had signed a treaty with England providing that neither the United States nor England alone should have exclusive rights to do such a thing. Under Cleveland's administration the Doctrine was twisted in such a way as to make the United States practically an overlord of the entire Western Hemisphere. The first Roosevelt declared that it gave the United States the right to intervene in the internal affairs of Latin American countries, should conditions warrant such intervention.

There is little wonder that the other nations in the hemisphere resented the aggressive policies adopted by many American presidents. It was largely for the purpose of restoring friendly relations with the other American nations that the overlordship policy was abandoned. First, the Hoover administration took steps to reassure the Latin American countries, and then President Roosevelt enunciated his "good-neighbor" policy which has been aimed at treating the other nations of the Western Hemisphere as equals with the United States. That this policy has succeeded is evidenced by the fact that relations between this country and the Latin American nations are on a friendlier basis today than they have ever been.

Can the Cost of Houses be Reduced?

By Horace Colby Ingram

Horace Colby Ingram was for many years one of the Chicago group of architects whose pioneering efforts toward more usable design and the use of modern materials have affected our industrial as well as domestic buildings. In 1933 and 1934 he was with "A Century of Progress" in that city. Since that time, his work has been with the PWA Housing Division as construction supervisor of the large slum clearance projects in New York and the New England states.

SHOUING the industry which will keep us from slipping back into depression and place the country securely on the road to continued recovery? Will there be a building boom or at least a sufficient stimulation of building to take up the slack in employment and to lend a steady influence now that business shows signs of faltering? At least there is hope in that direction. There has been hope of a housing boom from time to time during recent years and each spurt of confidence has led only to disappointment. But there is renewed enthusiasm this fall. The revival of hope for a substantial improvement in the housing situation is due partly to the housing program adopted by the last Congress, and partly to evidence that the

government may soon take some kind of action to stimulate private housing. The increased confidence has come about in large measure, however, because of the faith which the nation has in the man who has been placed in charge of the government's low-cost housing activities. There is widespread confidence that Nathan Straus will actually get things done.

Expense a Handicap

There is one handicap, however, which is in the way of large-scale housing for the masses of the people. The attempt has been made to furnish houses which are of an expensive variety to people who cannot afford to pay for an expensive house. That handicap is at the heart of our housing problem. If the same intelligence and energy and imagination were put into use in the building of houses that are used in the building of automobiles, the poor people of the nation might be well housed. The building industry might flourish. Capital which is now out of use might be put to work, and employment might increase.

But what do we mean when we say that we should use the same ingenuity in building houses that we use in building automobiles? To find an answer to that question we need only to compare the means we adopt when we set out to build a house and the means we use when we build a car.

Let us suppose that a man without much money to spend wants to own an automobile. Let us suppose that the first thing he does is to hire an engineer and say that he will give him five to 10 per cent of the final price of the car if he will draw up a design for it. Let us suppose now, after the design has been drawn, the prospective automobile owner, in consultation with the engineer, gives some firm a contract to build the car. Then the contractor negotiates with other firms to supply different parts. The parts are brought to the premises, where the car is to be constructed, and there they are assembled. Let us suppose that this man and his engineer construct a tailor-made car. They want

one of original design. They act as if other cars had not been made. They plan the whole thing from the ground up. When they get through the car costs, not seven hundred dollars or so, but several thousand dollars.

We would consider a man of that kind to be crazy. It would seem absurd for him to spend so much merely to get a car different from the autos owned by his friends. It would seem especially foolish, inasmuch as the car after it was completed would probably not be very different from others on the road. It is certain, furthermore, that the masses of people could not build cars in that way. They would not have enough money. If automobiles were tailor-made or custom-made in such a manner, they would remain, as they were in the early years of the industry, a luxury for the wealthy.

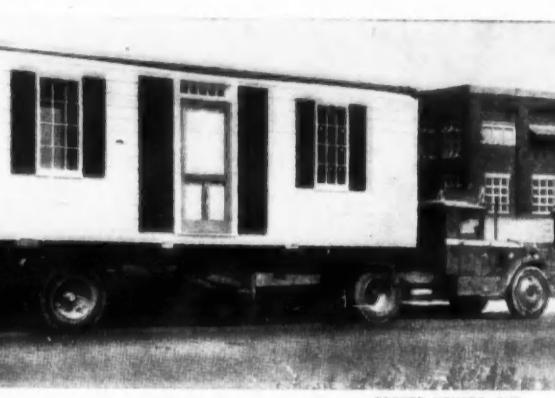
But though we would think it very foolish for a man to build an automobile, a machine for traveling, by such a method, we would consider it quite a sensible thing if the man set out to build a house, which is a machine in which he is to live, by a similar process.

If a man wants to build a house, he employs an architect to draw plans. The thing is to be a custom-made affair. As soon as the architect draws his plans, presumably for a unique piece of architecture, bids must be had from contractors, who in turn obtain bids from subcontractors to supply the different parts of the house and its equipment. There are numerous contracts, often numerous "extras."

Great quantities of loose and half-finished materials must be assembled on the grounds, all to be handled over and over again—mixed, sawed, fitted, and patiently piled one on another—brick on brick, nail after nail, plaster and paint coats, done by workmen from many and various trades, and all intermittently transported to the site.

After months of harrowing work, there stands—just another house. If the result were a piece of architecture entirely unique, it perhaps would satisfy the builder, provided he were able to pay for it. But we all know that except for expensive houses there is little originality in the product, even though all the steps supposedly leading to something original have been taken.

Is it possible, however, to build houses as we do cars? The answer is to be found in the prefabricated house, or a house con-



A PREFABRICATED HOUSE OF COPPER MAY BE MOVED WHOLE OR IN PART FROM FACTORY TO LOT

quite definite signs of progress in this country. The Century of Progress fair at Chicago presented perhaps 20 examples of houses that displayed in one form or another advances in functional planning and use of new materials. Most of these were highly interesting, and they individually possessed features of marked merit. Materials were largely prefabricated, strong, lightweight, and serviceable; period styles were discarded and simplicity was the keynote. But these houses were still too costly for the lower-income groups.

Progress in Prefabrication

Progress must be made before the prefabricated house fulfills its promise completely, but progress is definitely underway. Purdue University, with its wood double houses in Indianapolis, produced at least the minimum requirements of a house for something less than \$700. This house is not fireproof, and it does not have the equipment we would like, but nevertheless it is a start in the right direction.

It is easy to see that the modern house, instead of being stable through excessive weight, will be built somewhat on the principles of the box kite, the aeroplane, and the automobile; that is, it will have a strong but light frame, and thin but thoroughly weatherproof walls. It needs no basement, for the very sound reason that the people should not live in holes, and all of our mechanical equipment can be above ground. It does not even need concrete or masonry foundations—properly designed posts will take care of that.

It does need well-designed windows in serviceable locations, regardless of custom or style. It needs good air and inexpensive heat, concealed lights and quiet, tough, and safe floors. It needs sound-proof partitions and safer bath tubs. It needs usable roofs or decks and ample and accessible storage spaces. It needs modern (comfortable) furniture, perhaps some of it built into the house, and it needs other things that most of our houses today do not possess.

Improvements need to be made in working out plans for houses constructed of prefabricated parts. So much progress has already been made, however, that certainly such houses can soon be well built for only a fraction of what the present custom-made houses cost. Much may be accomplished if the government will take the lead in planning the im-

provements which are required before the prefabricated house may become the answer to the need of the American people for houses and the need of American workmen for employment. The way is clear for the United States Housing Authority, under the able leadership of a man like Nathan Straus, to assume the leadership. The first step would probably be to call a conference of the financial heads of the

important industries engaged in the construction of materials, of scientists, inventors, and practical supervisors of men and machines necessary for production. If there is cooperation among government officials, businessmen, and labor leaders, the way may be opened for a new era in housing and for a long-continued period of industrial recovery and prosperity. The recent business recession has called attention to the need for a vast housing program. In his message to Congress last week, the President said that steps would soon be taken to stimulate the building industry, through a housing program, financed by private capital and encouraged by the government. If successful, such a program could do much to halt the downward trend of business.

Your Vocabulary

Do you know the meaning of the italicized words in the following sentences? The family lived in a *sordid* atmosphere. The man had a *benign* countenance. The President spoke of the *salient* features of his program. He *eradicated* most of the defects in his speech. When Hoover proposed a mid-term Republican convention, Landon *dissented*. The speaker's main purpose was to *edify* the audience. It was *reputed* that he had acquired a mastery of the subject. Her spirit was marked by extreme *exuberance*.

PRONUNCIATIONS: Getulio Vargas (hay-to'lyo vahr'gahs), Integralists (een-tay-grah-lee'stahs), Maurice Duplessis (mo-ree's due-play-see'), Alessandri (a-lay-sahn'dree).

SOMETHING TO THINK ABOUT

1. In what respect was the tone of the President's message to Congress more satisfactory to business leaders than that of previous messages?

2. Would you say that the President has abandoned the liberal or progressive objectives of his program in order to satisfy business?

3. List several of the principal grievances of business against the policies of the Roosevelt administration.

4. What evidence is there that the new regime in Brazil is fascist in character? Is there any reason to believe that it was established with the assistance of German, Italian, or Japanese elements?

5. What action have the Germans, Italians, and Japanese taken during recent years to develop cordial relations with Brazil and what have been the effects of their action?

6. Why would the United States government frown upon the establishment of a true fascist government in any nation in the Western Hemisphere?

7. What recommendations for building up the American merchant marine were made by the United States Maritime Commission in its recent report?

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A PREFABRICATED STEEL HOUSE, COMPLETE IN EVERY DETAIL, IS MOVED ON A TRAILER TO ITS PERMANENT LOCATION

Government and the Business Recession

(Concluded from page 1)

was said that the government had regulated the stock market too closely and that this regulation had caused the fall in stock prices. It was said that certain of the taxes which were imposed last year were hurting business; particularly the tax on the profits of corporations which were not distributed to the owners of corporations but were held as surpluses and the tax on gains made through the sale of stocks and other forms of property.

For several months there has been a campaign for a change in the tax laws and for greater friendliness on the part of the government toward business. It has been charged that the President has been unfriendly to business and that a new attitude should be developed. There have been demands not only for a change in the tax laws but for a giving up of the farm program and the movement to increase the wages of the lowest paid workers. Some of the people making these demands have called only for a greater moderation on the part of the government, while others have shown that they would be satisfied with nothing less than for the Roosevelt



THE DAY BEFORE

Speaker Bankhead and Senate Majority Leader Barkley discuss the congressional program.

administration to surrender practically all its program and give business leaders whatever legislation they might call for.

Marked Moderation

It has been apparent for some time that this campaign was meeting with marked success. The call for moderation has been made not only by members of Congress and others who have opposed the President's policies at all times but by many who heretofore have stood by him through thick and thin. As Congress met, there was every indication that conservatives who have felt that the administration was going rather too far with its program were highly pleased, while the progressives, or liberals, were dejected, feeling that the country was turning against them.

Such was the situation and such the atmosphere when Congress met on November 15 and the President sent in his message. Under the circumstances the message was listened to by the nation with a peculiar interest. Would the President moderate his course or would he stand by his guns?

The address of the President unquestionably exhibited a different tone from that of many previous messages. The President said definitely that a "marked recession in industrial production and industrial purchases" has developed. He did not undertake to deny it. He did say that it had not reached serious proportions, that it was unlike the recession which began in 1929, and that it could be prevented from going further. He indicated a desire to cooperate with business. He said he had talked recently to leaders of business as well as to leaders of labor and of agriculture. He said a spirit of cooperation was needed, and if such a spirit should prevail, we could soon be going forward again on the recovery road. But there was lacking from his address those combative phrases like "we have just begun to fight" which have characterized earlier addresses.

The President also indicated a willingness to reexamine the tax laws and to

amend such as seemed to be hurting business. He did not specify the amendments which were needed. He said in fact that the whole subject was very complex and that different items of the program must be taken up in future messages.

Future Program

At the same time the President insisted that the government should go forward with its program according to the broad plans which have heretofore been followed. He said: "But as we work with these problems of detail we must not forget the broad central truth that this administration has pledged itself to the people of the United States to carry on with a wide social program pointed toward higher living standards and a more just distribution of the gains of civilization. Much of that program is already in effect—but its continued and complete success depends on a wider distribution of an immensely enlarged national income. Such enlargement presupposes full employment of both capital and labor—reasonable profits and fair wages—a resumption of that vigorous moving equilibrium which began in 1933. Deflation and inflation are equal enemies of the balanced economy that will produce that progressive increase in national income.

"In the attainment of the broad central purpose we recognize many related objectives. This message, however, deals with only four of these objectives—four which are already being considered by the Congress. Two relate directly to the stabilization and maintenance of the purchasing power of the nation. The other two, essential tools for the whole task, look to the improvement of the machinery and functioning of both the executive and the legislative branches of the federal government."

The President then outlined very briefly the objectives of his program for agriculture, for labor, for government reorganization, and for planning with respect to the national resources. He did not develop his plans in detail. He will no doubt take up each of these subjects in special messages, and we shall discuss them later in *THE AMERICAN OBSERVER*. It may be said, however, that his agricultural program follows the general outline of the AAA. He said that the fertility of the soil must be protected, and that the welfare of farm families must be preserved. This should be done in such a way as not to cause unduly high prices, however, for the consumers of foodstuffs. He indicated that something must be done to prevent the development

of large surpluses of crops which cannot be sold and which depress the market. This statement is significant: "If and when huge surpluses in any one crop threaten to engulf all the producers of that crop, our laws should provide ways by which a small minority may be kept from destroying the proceeds of the toil of the great majority." This surely means that some way must be devised to prevent farmers from raising crops in excess of a quota which has been agreed upon as being necessary to prevent overproduction and a surplus. If it is agreed by a great majority of the farmers that production should be held down to a certain figure, no farmer should be permitted to go ahead raising larger crops than the quota calls for.

Labor Legislation

In discussing labor legislation, the President insists that child labor should be abolished and that workers unable to protect themselves from excessively low wages and excessively long hours should be protected by law. He does not specify the exact terms of such a law, but will no doubt amplify his plans later. In calling for this plan he uses words which are moderate, yet firm. He suggests that legislation of this kind will be beneficial to business as well as to the workers. He says: "I further believe that the country as a whole realizes the necessary connection between encouraging businessmen to make capital expenditures for new plants and raising the total wage income of the total of our working population. New plants today mean labor-saving machinery. What does the country ultimately gain if we encourage businessmen to enlarge the capacity of American industry to produce, unless we see to it that the income of our working population actually expands sufficiently to create markets to absorb that increased production?

"I further believe that the country as a whole recognizes the need of seeking a more uniformly adequate standard of living and purchasing power everywhere if every part is to live happily with every other part. We do not recognize the destiny of any state or any county to be permanently backward. Political and social harmony requires that every state and every county not only produce goods for the nation's markets but furnish markets for the nation's goods."

The Budget

The President also declared his purpose to balance the federal budget next year. In taking this position he joins the large group of Americans who have been insisting for some time that the budget must be balanced, that it would be dangerous for the country to go on borrowing money



H. & E.
BACK FROM UVALDE
Vice-President John N. Garner settles down to work, after returning from his Texas home.

while spending beyond its income. He places himself in opposition to a large group who have been his loyal followers and who believe that government spending on a large scale must be continued if the needy are to have adequate relief and if industry is to be stimulated. Those who hold to this latter view declare that the present recession in business came when the government cut down its spending on work relief. They say that it was governmental spending and the government's supplying of jobs to the people which stimulated business and brought about recovery during the years following 1933, and that if the government cuts down its spending materially, as it will be obliged to do in order to balance the budget, we will sink back into depression.

Opposed to this view is the belief that if the government balances the budget, confidence in the future stability of governmental credit will be restored, businessmen will be more optimistic, they will expand their enterprises, especially if they have other encouragement from the government, and that the increase of private activity will make up for the decrease in governmental activity. Whether or not that will happen is a vital question of the hour. It is, of course, a question of fact, and the answer to it will develop as the months go by. If those turn out to be right who insist that increased governmental expenditures, even at the expense of an unbalanced budget, are necessary, the country will experience further business recession. If budget balancers are right and if the President and Congress hold to the plan of balancing the budget, we may expect business revival.

Smiles

A burglar, who had entered a poor man's house at midnight, was disturbed by the awakening of the occupant of the room he was in. Drawing his weapon, he said:

"If you stir, you are a dead man. I'm hunting for your money."

"Let me get up and strike a light," said the poor man, "and I'll hunt with you."

—SELECTED

Speaker: "Electricity is within the reach of all."

Member of Audience: "Perhaps you haven't tried finding the switch in the dark."

—CHRISTIAN SCIENCE MONITOR

Young Brown got a job in a shipyard. The first morning the foreman gave him a two-foot rule and told him to go and measure a large steel plate. Brown returned in twenty minutes.

"Well," inquired the foreman, "what's the size?"

The youth displayed a satisfied grin.

"It's just the length of this rule," he said, "and two thumbs over, with this brick, and the breadth of my hand, and my arm from here to there, bar the fingernails."

—AMERICAN BOY

A passenger was taken on a tour of inspection by the ship's captain during an Atlantic crossing. Finally she was escorted into a large compartment in which were stored several boxes of skyrockets.

"What are these for?" she asked.

"They're to send up in case the ship is in distress," explained the captain.

"Well," remarked the woman, "I don't think that is any time for celebration."

—THE OPEN ROAD



"HE CAN'T KEEP A SECRET!"
SCHUB IN AMERICAN MAGAZINE

"Heard the latest news about Newrich?"
"No—what now?"

"He bought a Louis XIV bed, but it was too small for him, so he sent it back and asked for a Louis XVI."

—TORONTO GLOBE AND MAIL

"I asked you not to tell mother what time I came in last night, Mary."

"I didn't, sir. I merely said that I was too busy with breakfast to notice the clock."

—CHRISTIAN SCIENCE MONITOR

What is meant by well-trained children? That's easy. Well-trained children are youngsters who keep comparatively quiet in the evening while father is doing their homework.

—BUFFALO EVENING NEWS

Installment Collector: Hello, there, young man. Is your mother or father at home?

Little Jackie: They are both out and said for you to call again Friday.

Collector: H'm! And why on Friday, my little man?

Little Jackie: That's what I don't know, sir. We're moving Thursday.

—PATHFINDER